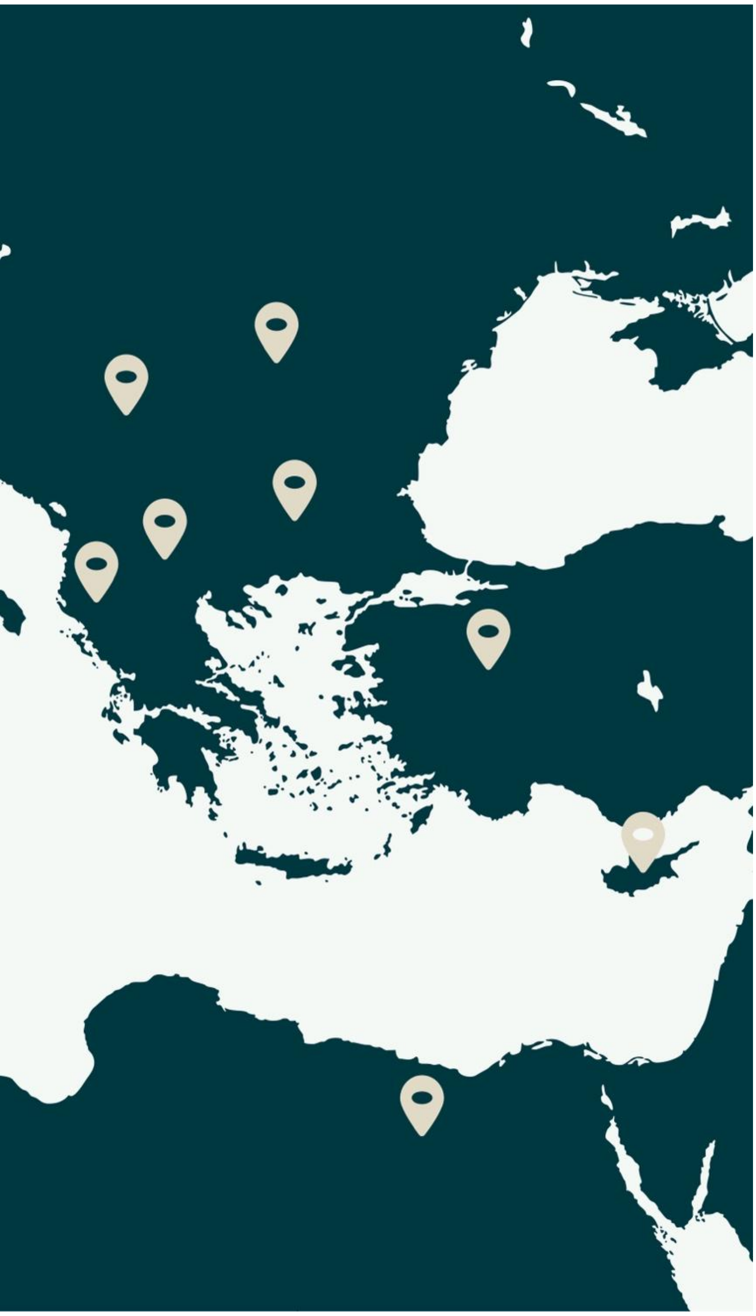
Bi-WEEKLY REPORT

Emerging Markets Analysis

25 November - 8 December 2025



COUNTRIES IN FOCUS:

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The current account deficit is more than fully financed by (non-debt generating) FDI inflows, driving a continued improvement in the economy's net international investment position

GDP growth is estimated to have firmed to 3.3% in FY:25 from 3.0% in FY:24, underpinned by stronger fixed investment and public consumption stage

Despite restrained policies, economic growth should maintain momentum over the forecast horizon, hovering around its long-term potential of c. 3¼%

NATIONAL BANK OF GREECE

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Emerging Markets Analysis

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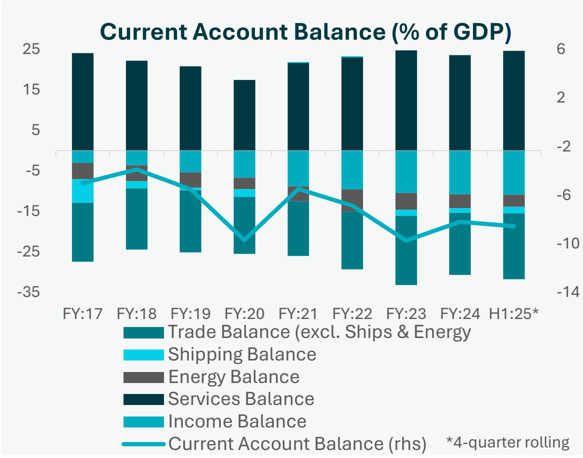
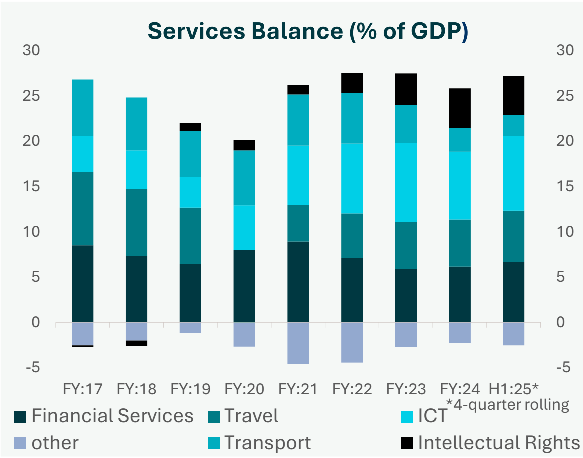
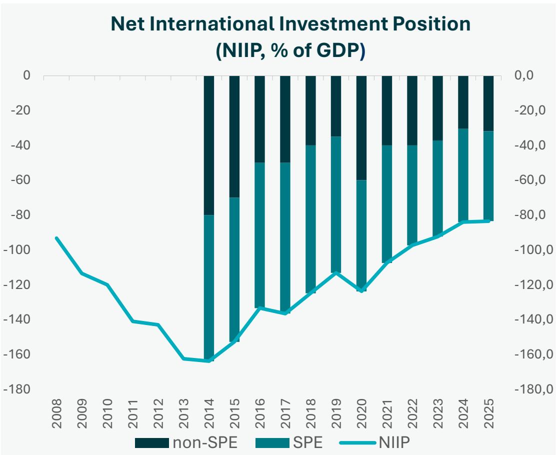
Cyprus

A- / A3 / A- (S&P / Moody's / Fitch)







	8 Dec.	3-M F	6-M F	12-M F
1-M EURIBOR (%)	1.9	1.9	1.9	1.9
EUR/USD	1.16	1.16	1.19	1.20
Sov. Spread (2033, bps)	37	40	38	35

	8 Dec.	1-W %	YTD %	2-Y %
CSE 100	274	-0.9	27.3	101.0

	2023	2024	2025F	2026F	2027F
Real GDP Growth (%)	3.6	3.9	3.5	3.0	2.9
Inflation (eop, %)	1.6	2.6	-0.9	1.8	2.1
Cur. Acct. Bal. (% GDP)	-9.7	-8.2	-8.6	-8.5	-8.3
Fiscal Bal. (% GDP)	1.7	4.1	3.5	3.0	2.8

Sources: Reuters, Cystat, Eurostat & NBG estimates

Although the relocation of foreign businesses to the island has led to a wider current account deficit due to the significant repatriation of profits, it has also contributed to the expansion and growing diversification of the economy's service export base. The current account deficit (CAD) has widened to 8.8% of GDP in 2023-25F -- by far the largest in the EU -- up from an average of 6.0% in 2017-22. This deterioration was driven solely by a structural widening in the income deficit, following the repatriation of profits by foreign-owned companies from EU-sanctioned Russia, Ukraine and war-affected areas in the Middle East, including Israel, that relocated in Cyprus to benefit from its attractive headquartering policy. The worsening primary income deficit was further exacerbated by profit transfers abroad by the (largely foreign-owned, non-exporting) banking sector (especially in the wake of excessive profits recorded in 2023-24) and by credit acquiring companies (CACs, holding loans exceeding 50% of GDP).

On the flip side, the growing presence and expansion of activities by (export-oriented) foreign companies, along with the associated growth in the economy's export production capacity -- particularly in high value-added sectors such as ICT and professional & financial services -- has led to a widening of the services surplus. This has been further supported by a booming tourism sector, with tourist arrivals reaching pre-pandemic levels in 2024 and growing at a double-digit rate since then.

Importantly, the country's growing and sizeable services surplus (24.4% of GDP in 2023-25F) has more than covered the persistently elevated trade deficit -- amounting to 21.3% of GDP in 2023-25F, the largest in the EU after Croatia -- reflecting the economy's low domestic manufacturing output. Note that the energy trade deficit alone stood at 3.6% of GDP in 2023-25F.

It should be mentioned that Cyprus hosts numerous special purpose entities (SPEs, primarily ship-owning companies), whose activities heavily influences the balance of payments, even though their domestic footprint is much smaller. Adjusted for the (volatile) ship trade balance and energy, the core CAD stood at a more manageable 7.3% of GDP in 2023-25F.

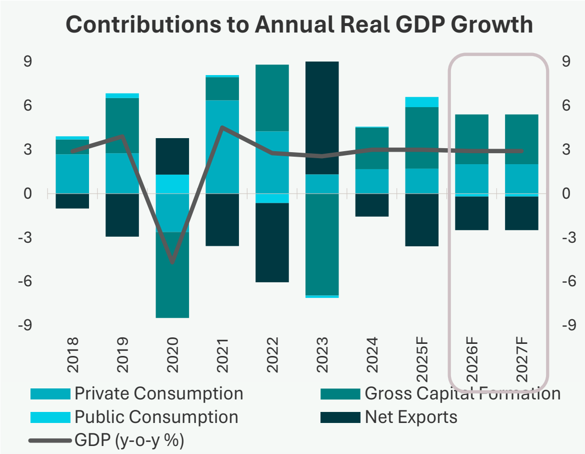
All said, a strong tourist outlook and buoyant ICT activity, along with a moderation in the pace of profit repatriation by foreign businesses, should ease some pressure off the sizeable CAD, despite strong domestic demand. The planned operation of the new LNG terminal by mid-2026 is expected to help reduce the energy trade deficit. As a result, we see the CAD easing gradually to 8.0% in 2028 -- still above historical averages.

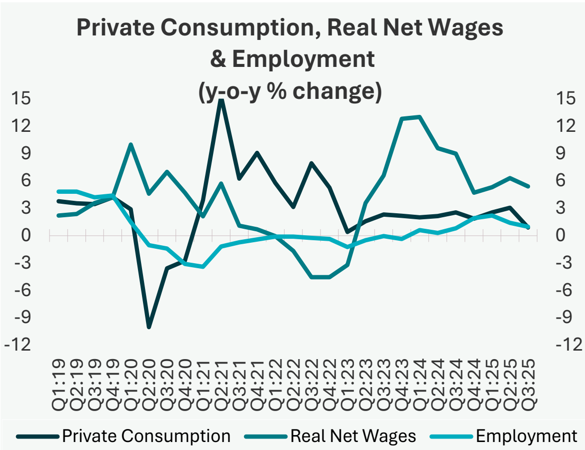
The CAD is more than fully financed by non-debt generating FDI inflows, driving a continued improvement in the economy's net international investment position (NIIP). Cyprus' sizeable FDI inflows -- mainly equity corporate investments and real estate, along with a large share of reinvested earnings (accounting for approximately 35% of profit outflows) -- have been more than covering the CAD. Reflecting this positive overall balance and revaluation effects, the economy's NIIP as a percentage of GDP has been improving rapidly over the last decade, standing at -83.5% of GDP in mid-2025, half its peak of -163.9% in 2014, aided by strong nominal GDP growth. Adjusting for the distortion caused by SPEs (due to their highly negative NIIP, which reflects ownership of large ship assets not included in the NIIP combined with large non-domestic financing), Cyprus' NIIP is less negative, standing at -31.8% of GDP in Q2:25 -- close to the -35% EC's (MIP scoreboard) threshold. Note that a non-negligible share of the latter reflects NPLs transferred by domestic banks to foreign-owned CACs during 2018-22, which somewhat overstates the country's external imbalance risks.

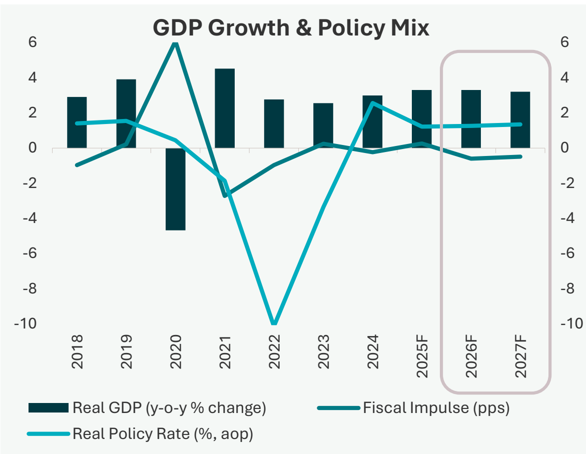
Based on our outlook for the CAD and its financing as well as on GDP growth and the expected public sector deleveraging plan, we see the economy's NIIP improving further over the forecast horizon. Confirming this prospect, the S&P revised its outlook on Cyprus' sovereign credit rating to positive from stable in mid-November.

North Macedonia

BB- / NR / BB+ (S&P / Moody's / Fitch)







	8 Dec.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	4.2	4.2	4.2	4.0
MKD/EUR	61.5	61.6	61.6	61.6
Sov. Spread (2028, bps)	180	180	175	165

	8 Dec.	1-W %	YTD %	2-Y %
MBI 100	10,256	0.2	0.5	68.3

	2023	2024	2025F	2026F	2027F
Real GDP Growth (%)	2.6	3.0	3.3	3.3	3.2
Inflation (eop, %)	3.6	4.4	3.8	3.2	2.6
Cur. Acct. Bal. (% GDP)	0.4	-2.3	-4.0	-3.3	-3.0
Fiscal Bal. (% GDP)	-4.6	-4.3	-4.6	-4.0	-3.5

Sources: Reuters, NBRNM, MAKSTAT & NBG estimates

GDP growth is estimated to have firmed to 3.3% in FY:25 from 3.0% in FY:24, underpinned by stronger fixed investment and public consumption. Although the breakdown of gross capital formation is not available, we estimate that the contribution of fixed investment to overall growth increased sharply in FY:25, mainly due to progress on several large infrastructure projects (see below). At the same time, growth in private consumption is estimated to have gained only little steam, despite strong fundamentals, as reflected in solid real (*ex-post*) wage & pension growth and employment gains, and reviving consumer lending. In our view, the persistently weak growth of private consumption can be largely attributed to households' increased propensity to save amid high real interest rates. Adding to overall growth, public consumption strengthened markedly in FY:25, bolstered, *inter alia*, by higher public sector wages. Unsurprisingly, net exports shaved a large chuck off GDP growth this year, in view of solid domestic demand.

Despite restrained policies, economic growth should maintain momentum over the forecast horizon, hovering around its long-term potential of c. 3¼%. Assuming a somewhat reduced propensity to save, private consumption should gain some steam in FY:26, with continuing solid employment gains largely compensating for moderating real wage growth, on the back, *inter alia*, of a more prudent incomes policy. Importantly, against the backdrop of growing employment, labour force outflow appears to have been halted, with participation (which had fallen abruptly in the wake of the pandemic) recovering, albeit sluggishly.

In addition to robust public fixed investment (notably the Corridor 8/10d highway and the gas pipeline linking North Macedonia to Greece -- projects with a high input share -- that are set to be fully completed by 2027), private investment is also poised to gain momentum, benefiting from improving sentiment and faster credit expansion. Note that the annual real corporate lending growth rate has doubled from a year ago, to c. 10.0%, supported by subsidized on-lending from a 2024 sovereign loan provided by Hungary.

Solid domestic demand means that net exports should remain a drag on overall growth. Nonetheless, their negative impact should diminish gradually after mid-2026, in view of the cyclical upswing in the EU, the economy's largest trade partner (absorbing 80% of total exports), following, *inter alia*, the rollout of the bloc's defense plan and Germany's massive stimulus package. Structural shifts in the EU automotive industry -- due to US tariffs, a stronger euro and intensifying global competition, particularly from China -- suggest that activity in the domestic automotive parts industry -- the economy's largest export industry, accounting for c. 45% of total exports -- is likely to remain constrained, at least in the short-term.

Economic growth is unlikely to receive any help from fiscal policy, in view of unfolding fiscal consolidation efforts (including streamlining the public-wage-setting process and more restrained pension hikes). However, in the absence of other significant initiatives by the Government, fiscal consolidation should be slow. As a result, and in view of structural constraints in place, the budget deficit is set to narrow to 3.0% of GDP (as required under the fiscal rule, from a projected 4.6% in FY:25) only by 2028.

At the same time, sticky core inflation limits the room for the NBRNM to cut rates at a fast pace. As a result, we see the policy rate falling gradually to 4.6% by end-2026, down from 5.35% currently, implying a real *ex-post* policy rate of c. 1.4% on average in FY:26, broadly unchanged from FY:25, but significantly lower than the FY:24 average of 2.7%.

Risks to this outlook remain tilted to the downside, albeit less than before. Indeed, trade uncertainties from US protectionist policies have been easing, leaving, however, a (small yet non insignificant) mark on global growth and trade. At the same time, global energy prices are range-bound but remain vulnerable to geopolitical flare-ups. Regarding idiosyncratic factors, delays in the implementation of large public infrastructure projects or a tighter-than-assumed policy mix to contain a potential inflation overshoot could lead to slower-than-envisaged growth.

DETAILED MACROECONOMIC DATA

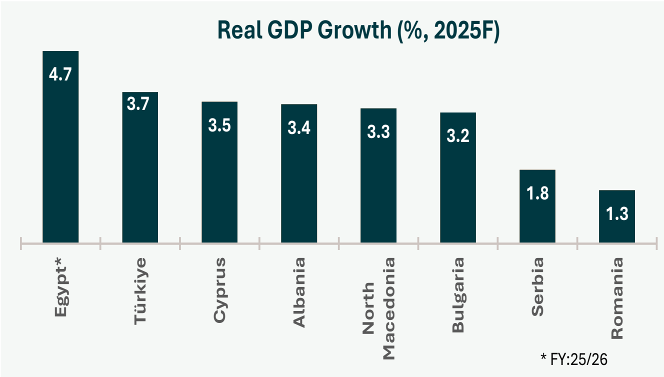
CYPRUS	2023	2024	2025f	2026f	2027f
Real Sector					
Nominal GDP (EUR million)	32,439	34,770	36,010	37,360	39,210
GDP per capita (EUR)	33,871	35,731	36,638	37,673	39,186
GDP growth (real, %)	3.6	3.9	3.5	3.0	2.9
Unemployment rate (%, aop)	5.8	4.9	4.4	4.3	4.3
Prices and Banking					
Inflation (%, eop)	1.6	2.6	-0.9	1.8	2.1
Inflation (%, aop)	3.6	1.8	0.1	0.7	2.0
Loans to the Private Sector (% change, eop)	-5.0	2.4			
Customer Deposits (% change, eop)	-0.6	5.8			
Loans to the Private Sector (% of GDP)	70.6	67.5			
Retail Loans (% of GDP)	34.4	32.2			
Corporate Loans (% of GDP)	36.2	35.3			
Customer Deposits (% of GDP)	136.9	135.1			
Loans to Private Sector (% of Deposits)	51.6	50.0			
Foreign Currency Loans (% of Total Loans)	- - -	- - -			
External Accounts					
Merchandise exports (EUR million)	4,403	4,098	3,949	4,026	4,105
Merchandise imports (EUR million)	11,775	11,018	11,594	12,210	12,869
Trade balance (EUR million)	-7,372	-6,921	-7,645	-8,184	-8,764
Trade balance (% of GDP)	-22.7	-19.9	-21.2	-21.9	-22.4
Current account balance (EUR million)	-3,159	-2,853	-3,084	-3,172	-3,261
Current account balance (% of GDP)	-9.7	-8.2	-8.6	-8.5	-8.3
Net FDI (EUR million)	10,358	5,111	5,878	6,466	7,177
Net FDI (% of GDP)	31.9	14.7	16.3	17.3	18.3
International reserves (EUR million)	- - -	- - -	- - -	- - -	- - -
International reserves (Months[a])	- - -	- - -	- - -	- - -	- - -
Public Finance					
Primary balance [b] (% of GDP)	3.0	5.4	4.9	4.4	4.2
Fiscal balance [b] (% of GDP)	1.7	4.1	3.5	3.0	2.8
Gross public debt (% of GDP)	71.1	62.8	57.0	54.5	50.1
External Debt					
Gross external debt (EUR million)	241,586	234,412	230,912	228,412	225,912
Gross external debt (% of GDP)	744.7	674.2	641.2	611.4	576.2
External debt service (EUR million)	- - -	- - -	- - -	- - -	- - -
External debt service (% of reserves)	- - -	- - -	- - -	- - -	- - -
External debt service (% of exports)	- - -	- - -	- - -	- - -	- - -
Financial Markets					
Policy rate (ECB deposit facility rate, %, eop)	4.0	3.0	1.8	2.0	2.3
Policy rate (ECB deposit facility rate, %, aop)	3.3	3.7	2.2	1.8	2.2
10-Y T-bill rate (%, eop)	3.2	3.0	3.1	3.3	3.3
Exchange rate: USD (eop)	1.104	1.035	1.160	1.180	1.200
Exchange rate: USD (aop)	1.081	1.082	1.130	1.170	1.190

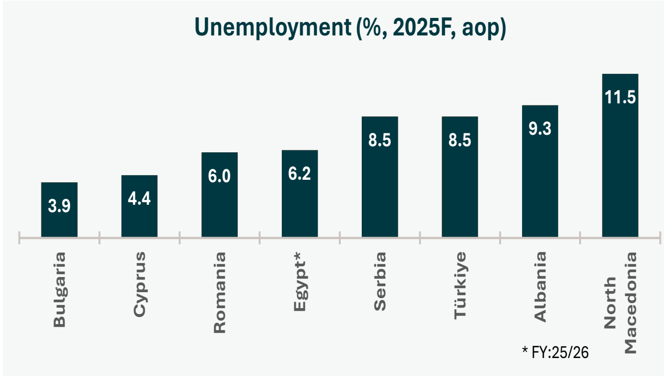
f: NBG forecasts; a: months of imports of GNFS; b: cash basis

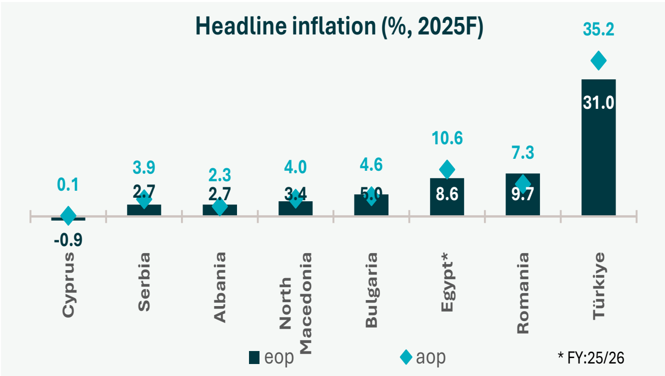
NORTH MACEDONIA					
	2023	2024	2025f	2026f	2027f
Real Sector					
Nominal GDP (EUR million)	14,680	15,684	16,864	18,061	19,161
GDP per capita (EUR)	8,013	8,561	9,317	10,107	10,868
GDP growth (real, %)	2.6	3.0	3.3	3.3	3.2
Unemployment rate (%, aop)	13.1	12.4	11.5	10.8	10.1
Prices and Banking					
Inflation (%, eop)	3.6	4.4	3.8	3.2	2.6
Inflation (%, aop)	9.5	3.5	4.1	3.8	2.8
Loans to the Private Sector (% change, eop)	5.2	10.5			
Customer Deposits (% change, eop)	9.5	12.3			
Loans to the Private Sector (% of GDP)	48.6	50.2			
Retail Loans (% of GDP)	25.1	25.6			
Corporate Loans (% of GDP)	23.3	24.5			
Customer Deposits (% of GDP)	56.5	59.5			
Loans to Private Sector (% of Deposits)	85.9	84.5			
Foreign Currency Loans (% of Total Loans)	42.0	38.8			
External Accounts					
Merchandise exports (EUR million)	7,236	6,725	6,906	7,239	7,602
Merchandise imports (EUR million)	9,871	9,829	10,193	10,642	11,208
Trade balance (EUR million)	-2,634	-3,103	-3,287	-3,403	-3,605
Trade balance (% of GDP)	-17.9	-19.8	-19.5	-18.8	-18.8
Current account balance (EUR million)	0.056	-0.355	-0.679	-0.592	-0.573
Current account balance (% of GDP)	0.4	-2.3	-4.0	-3.3	-3.0
Net FDI (EUR million)	0,488	1,088	0,816	0,877	0,943
Net FDI (% of GDP)	3.3	6.9	4.8	4.9	4.9
International reserves (EUR million)	4,538	5,019	4,919	5,069	5,244
International reserves (Months[a])	4.6	5.2	4.8	4.7	4.6
Public Finance					
Primary balance (% of GDP)	3.2	-2.5	--2.7	-2.0	-1.4
Fiscal balance (% of GDP)	-4.6	-4.3	-4.6	-4.0	-3.5
Gross public debt [b] (% of GDP)	57.3	61.0	62.7	63.7	64.1
External Debt					
Gross external debt (EUR million)	11,356	12,214	12,952	13,816	14,447
Gross external debt (% of GDP)	77.4	77.9	76.8	76.5	75.4
External debt service (EUR million)	3,943	3,741	4,261	4,423	4,283
External debt service (% of reserves)	86.9	74.5	86.6	87.3	81.7
External debt service (% of exports)	39.9	38.8	42.7	42.0	38.4
Financial Markets					
28-d CB bill rate (%, eop)	6.3	5.6	5.4	4.6	3.9
28-d CB bill rate (%, aop)	5.8	6.1	5.4	5.1	4.2
1-Y T-bill rate [c] (%, eop)	4.3	3.8	3.0	2.6	2.2
Exchange rate: EUR (eop)	61.6	61.4	61.6	61.6	61.6
Exchange rate: EUR (aop)	61.5	61.5	61.5	61.6	61.6

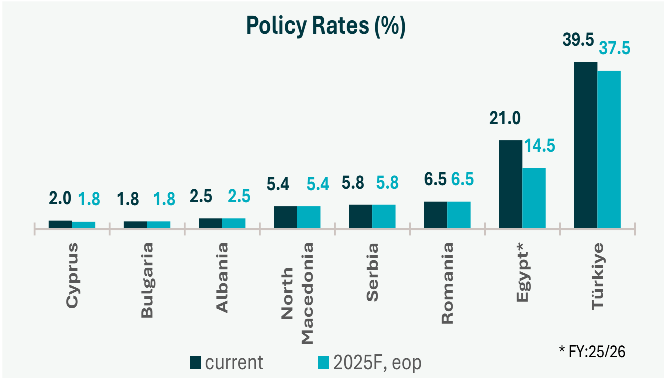
f: NBG forecasts; a: months of imports of GNFS; b: incl. guaranteed debt; c: primary market

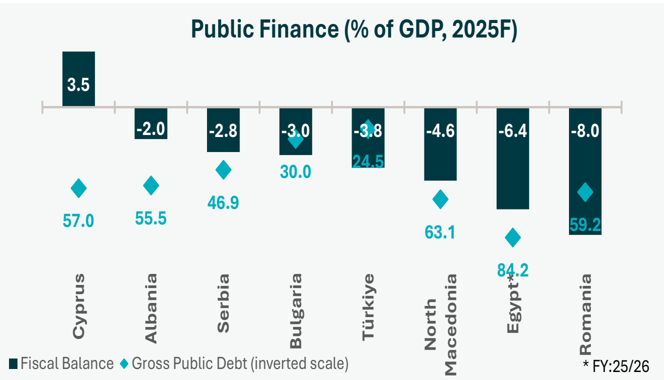
REGIONAL SNAPSHOT: MACROECONOMIC INDICATORS

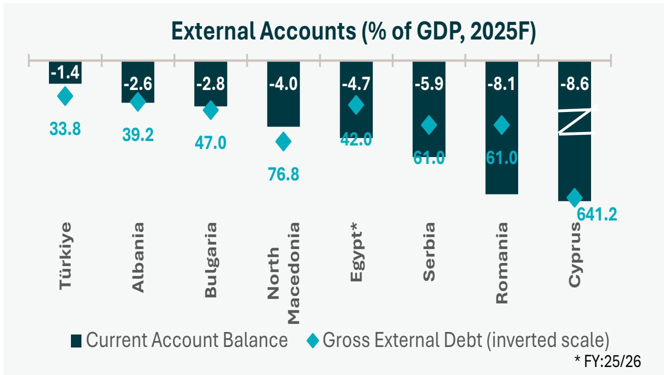


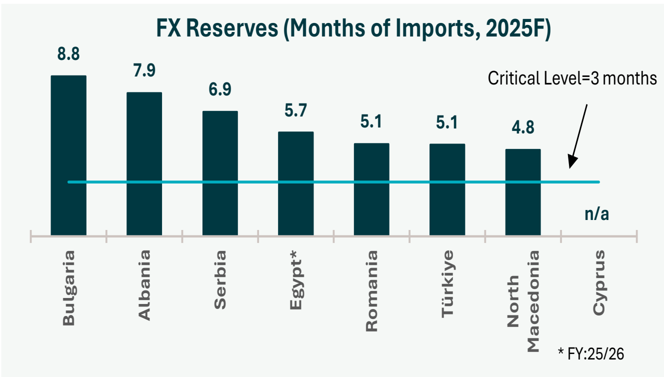






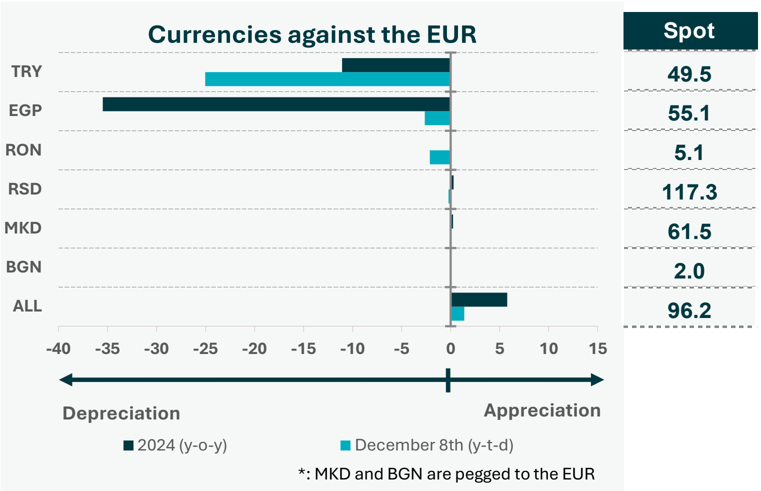


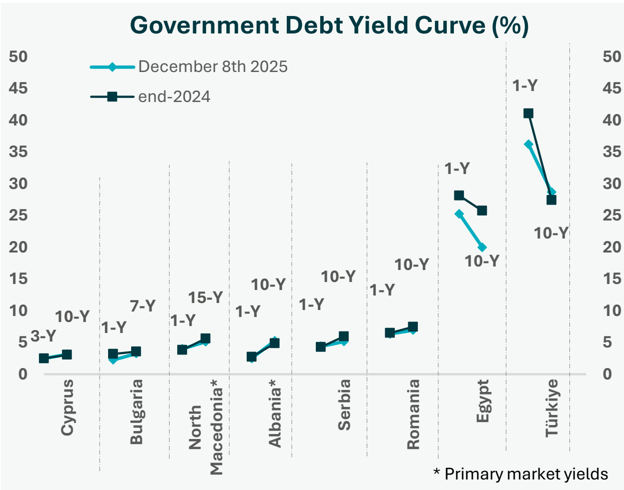


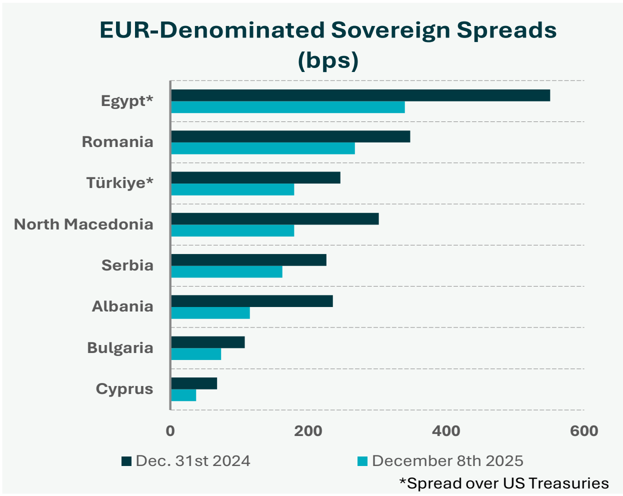


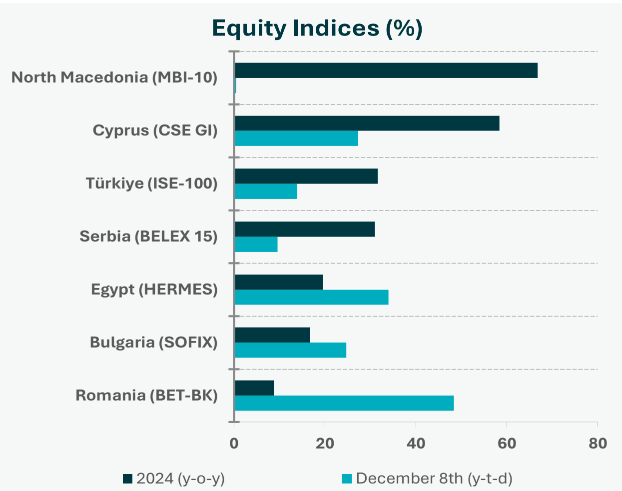
Sources: Reuters & NBG estimates

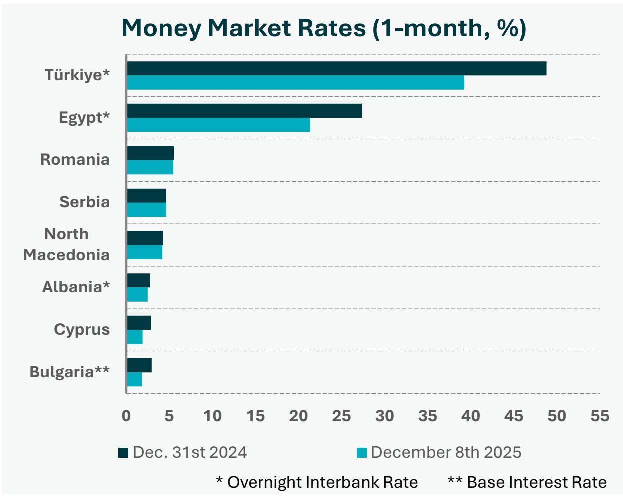
REGIONAL SNAPSHOT: FINANCIAL MARKETS











Sources: Reuters & NBG estimates

FOCUS ECONOMICS
ANALYST FORECAST AWARDS **2025**
#1 FORECASTER - Bulgaria Overall
National Bank of Greece

FOCUS ECONOMICS
ANALYST FORECAST AWARDS **2025**
#1 FORECASTER - Macedonia N. Overall
National Bank of Greece

FOCUS ECONOMICS
ANALYST FORECAST AWARDS **2025**
#1 FORECASTER - Serbia Overall
National Bank of Greece

FOCUS ECONOMICS
ANALYST FORECAST AWARDS **2025**
#2 FORECASTER - Romania Overall
National Bank of Greece